

Pak Elektron Limited

Annual Report 1998

Contents

Pak Elektron Limited
Company Information
Chairman's Review
Consolidated Balance Sheet
Consolidated Profit & Loss Account
Pattern of Holding of Shares
Notice of Annual General Meeting
Directors' Report
Auditors' Report
Balance Sheet
Profit & Loss Account
Cash Flow Statement
Notes to the Accounts
Statement and Report under Section 237

PEL Daewoo Electronics Limited

Company Information
Directors' Report
Auditors' Report
Balance Sheet
Profit & Loss Account
Notes to the Accounts

Company Information

BOARD OF DIRECTORS

Mr. M. Naseem Saigol (Chairman/Chief Executive)
Mr. M. Azam Saigol
Mr. Shahid Sethi
Mr. Muhammad Ilyas Bajwa
Mr. Muhammad Asif Bajwa
Mr. Saeed Mian Ansari
Mr. K.M.M. S (NIT Nominee)

COMPANY SECRETARY

Sheikh Muhammad Shakeel, ACA

AUDITORS

M/s Manzoor Hussain Mir & Co.
Chartered Accountants

BANKERS (in alphabetical order)

ABN Amro Bank
Askari Commercial Bank Limited
Bank of Punjab
Emirates Bank International Limited
Faysal Bank Limited
National Bank of Pakistan
National Development Finance Corporation
Standard Chartered Bank

REGISTERED OFFICE

06-Egerton Road,
Lahore.
Tel: 6306131 (5 Lines)

WORKS

14 K.M. , Ferozepur Road,
Lahore.
Tel: 5811951 (7 Lines)

Chairman's Review

I take this opportunity to present before you the audited accounts and annual report on the performance of Pak Elektron Limited the holding company, PEL Appliances Limited the subsidiary and PEL Daewoo Electronics Limited a subsidiary and joint venture with Daewoo Electronics Company Limited, Korea. The year under review was eventful and the country's economy has gone through an extremely difficult phase. Internally the country has faced extraordinary constitutional issues destabilizing the Government and externally it has seen unusual economic crises affecting most of the Asian countries. This situation created further slow down in the country's already decelerating economy. During the year, country's Balance of Payments further deteriorated and foreign exchange reserves reached to a critical level. In May 1998, in the interest of national security, Pakistan decided to detonate its nuclear devices which resulted into economic sanctions by developed countries and consequently freezing of foreign currency accounts. Pak Rupee, which had already suffered 8.7% devaluation in October 1997, was further devalued by 4.4% in June 1998 and lately the two-tier exchange rate system was introduced.

Your company which was already in the extremely adverse phase of its history managed to put a halt to the downturn seen last year. Consolidated Sales dropped last year to Rs. 1.510 billion from previous year's Rs. 2.909 billion rose to Rs. 2.155 billion in the year under review. Accordingly gross profit of Rs. 309 million was earned against last year's Rs. 129 million bringing operating profit to Rs. 8.408 million from last year's operating loss of Rs. 80.225 million.

With above positive indications and some healthy developments in your company's business explained in the later paragraphs, in a couple of years your company is expected to come out of difficulties due to heavy losses in the last two years. Obstruction in the company's way of revival at this stage are heavy liabilities grown due to hefty losses and availability of working capital to meet increased requirements of growing business. Sponsors of your company, to address this situation had decided to sell off one of their profitable project and inject fresh equity. Unfortunately, due to the country's situation, as explained above, this could not be achieved. Alhamdulillah, company's bankers, especially National Bank of Pakistan have come forward and

restructured company's long term and short term borrowings in a way to ensure reduction in the financial cost as well as availability of required working capital for the company's needs. Efforts for injection of fresh equity are also continuing and would Insha Allah further help the company in achieving its goals.

Despite the above factors, servicing of heavy liabilities grown to an amount disproportionate with the current level of company's business is going to be a tough target. The management of your company has accepted this challenge and has taken various steps for this purpose, which are also explained in the later paragraphs.

The business in our Power Division has seen a growth and is expected to further grow in the future. Transformers and Energy Meters produced by your company are basic components of electricity distribution networks of WAPDA and KESC. The existing distribution networks in the country have reached to a situation where there is a dire necessity of upgradation to avoid frequent breakdowns in supply of electricity as well as to control pilferage. Demand for both transformers and meters is therefore growing. Accordingly various steps are being taken to improve productivity, quality and delivery of these products. In order to widen the product range, your company has, with its existing facilities, attained a capability of producing three phase meters. An order for 5,000 three phase meters has already been secured and this business is expected to grow rapidly. As a result of continuous efforts to balance and improve our energy meter plant, our capacity of producing single phase meters is going to be 600,000 in the year 1998-99. Our Energy meter plant, this year is expected to attain highest level of capacity utilization since its inception.

Timely payments by WAPDA and KESC against sales to them have always been a problem. To address this issue supplies to WAPDA are now being made against bills of exchange to be accepted by them for their payment. WAPDA has performed perfectly in meeting its obligations against these bills of exchange. In addition the company has obtained substantial orders from WAPDA and newly established Area Electricity Corporations against inland letters of credit. The chronic problem of delayed payment by WAPDA is therefore expected to be resolved this way.

In our Appliances business unabated smuggling and unpredictable changes in tariff have been the major problems. Unfortunately no adequate solution has as yet been put to place to control smuggling. General Sales Tax regime at retail level was relaunched this year but is yet to be fully implemented. Some administrative measures taken by the present Government and political situation in our neighboring countries of Iran and

Afghanistan have, however, curbed smuggling to some extent in the recent past.

During the year under review your company started production of Window Air-conditions under Carrier brand which was well received in the market. Orders for supply of Carrier Air-conditioning commercial systems have also been received and this business is expected to grow with revival of economy in the coming years.

A new model of refrigerator with Aero design has been developed and expected to be launched in January 1999. A psychological weakness in our refrigerator, exploited by our competitors, to have

a locally assembled compressors, is being removed in the new model where an imported compressor will be utilized. Impact of its higher cost is being absorbed by reduction in cost of other materials and overheads. Compressor plant will now be operating to sell compressors in the after sales market. In consequence of measure taken to improve productivity and quality of our refrigerators we have, by the grace of God, shipped our first lot of refrigerators against an export order. These are also expected to grow in future.

Colour television manufacturing of our subsidiary PEL Daewoo Electronics Limited is a victim of smuggling and adverse fiscal pronouncements. This year we have been approached by some multinational manufacturers of colour television sets who already have significant market share in our country, to assemble TV sets for them. Our negotiations with one of these organizations are at advanced stage. Under these arrangements the TV plant is expected to operate at high capacity utilization levels and reasonable revenue in form of conversion charges is expected to be earned this way. At a conservative capacity utilization level this project is expected to take care of its fixed costs and debt servicing.

In order to reduce fixed overheads and bring efficiencies, your company has embarked upon a major management restructuring plan. A substantial downsizing is being carried out to bring efficiencies and reduce costs. In view of sluggish

demand for switchgears, this division has been merged with transformers and similarly some departments have been merged into others to cut down company's fixed overheads.

I believe that the devotion and cooperation of our management and work force will continue. With their help the company will be able to meet all the challenges being faced by it today and we will be Insha Allah very soon out of the difficult phase we are passing through.

Lahore,
December 09, 1998.

M. NASEEM SAIGOL
Chairman

Consolidated Balance Sheet

As at June 30, 1998

Pak Elektron Limited

Pel Appliances Limited

Pel Daewoo Electronics Limited

1998 1997
(Rupees in thousands)

FIXED CAPITAL EXPENDITURE	750,333	808,836
LONG TERM INVESTMENT	149,201	149,201
LONG TERM DEPOSITS	12,031	30,394
	911,565	988,431
CURRENT ASSETS		
Stores, spares and stock in trade	667,450	1,000,792
Trade debts	638,428	387,811
Advances, deposits and prepayments	383,547	396,521
Cash and bank balances	61,769	81,094
	1,751,194	1,866,218
CURRENT LIABILITIES		
Short term running finances	1,114,414	1,605,171
Current portion of long term liabilities	113,898	103,805
Creditors, provisions and accrued liabilities	370,085	579,989
	1,598,397	2,288,965
NET WORKING CAPITAL	152,797	(422,747)
TOTAL NET ASSETS	1,064,362	565,684
CONTINGENCIES AND COMMITMENTS	-	-
Long-term loans	1 1,092,409	93,513
Gratuity	389	-
Liabilities against assets subject to finance lease	96,993	128,232
	1,189,791	221,745
MINORITY INTEREST	(263,944)	84,574
NET WORTH	138,515	259,365
REPRESENTED BY		
Share capital	185,418	185,418
Reserves	755,350	558,953
Unappropriated profit / (loss)	(802,253)	(485,006)
SHARE HOLDERS EQUITY	138,515	259,365

Some of the fixed assets have been revalued giving rise to a revaluation surplus of Rs. 1,556,889 thousands which has not been accounted for in the above Balance Sheet.

Consolidated Profit & Loss Account

For the year ended June 30, 1998

Pak Elektron Limited

Pel Appliances Limited

Pel Daewoo Electronics Limited

1998 1997
(Rupees in thousands)

SALES - GROSS	2,155,473	1,510,011
Sales tax and excise duty	306,303	281,226
	-----	-----

SALES- NET	1,849,170	1,228,785
Cost of sales	1,540,064	1,099,885
	-----	-----
GROSS PROFIT	309,106	128,900
 OPERATING EXPENSES		
Administrative	70,900	59,939
Selling	229,802	149,186
	-----	-----
	300,702	209,125
	-----	-----
OPERATING PROFIT	8,404	(80,225)
FINANCIAL EXPENSES	473,913	479,499
MISCELLANEOUS	1,305	7,565
OTHER INCOME		
Profit on disposal of operating assets	930	1,478
Income of unusual & nonrecurring, nature	1,001	1,779
Profit on bank deposits	1,519	-
	-----	-----
	3,450	3,257
PROFIT/(LOSS) BEFORE TAXATION	(463,364)	(564,032)
Provision for taxation	6,002	3,827
	-----	-----
PROFIT/(LOSS) AFTER TAXATION	(469,366)	(567,859)
UNAPPROPRIATED PROFIT BROUGHT FORWARD	(485,006)	1,230
	-----	-----
	(954,372)	(566,629)
MINORITY INTEREST	152,116	81,623
	-----	-----
UNAPPROPRIATED PROFIT/(LOSS)	(802,253)	(485,006)
	=====	=====

Pattern of Holding of Shares

Held by the Shareholders as at June 30, 1998

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
226	1	100	11,264
524	101	500	175,775
204	501	1000	150,651
299	1001	5000	671,884
61	5001	10000	445,889
18	10001	15000	223,935
12	15001	20000	207,879
9	20001	25000	207,196
6	25001	30000	161,031
4	30001	35000	130,282
2	40001	45000	87,839
2	45001	50000	98,965
1	50001	55000	50,510
2	60001	65000	126,918
1	65001	70000	68,750
1	75001	80000	76,351
1	105001	110000	110,000
1	115001	120000	115,885
2	120001	125000	242,728
1	135001	140000	138,973
1	155001	160000	156,573
1	175001	180000	176,346

1	180001	185000	184,250
1	185001	190000	189,279
1	200001	205000	200,750
1	225001	230000	226,472
1	225001	255000	250,345
1	295001	300000	295,698
1	370001	375000	371,146
2	515001	520000	1,033,753
1	560001	565000	563,000
1	2355001	2360000	2,357,278
1	3070001	3075000	3,073,324
1	5960001	5965000	5,960,956

1392			18,541,875
=====	=====	=====	=====

Note: The Slabs not applicable have not been shown.

Categories of Shareholders	Numbers	Shares Held	Percentage
Individuals	1332	11839698	63.85
Investment Companies	6	508261	2.74
Insurance Companies	3	716838	3.87
Joint Stock Companies	15	168394	0.91
Financial Institutions	5	2450105	13.21
Foreign Companies	28	2851357	15.38
Leasing & Modaraba Companies	3	7222	0.04

Total	1392	18541875	100.00
=====			

Notice of Annual General Meeting

Notice is hereby given that the Forty Second Annual General Meeting of the shareholders of PAK ELEKTRON LIMITED will be held on Thursday December 31, 1998 at 10:30 Am. at Associated House, Mezzanine Floor, 07 Egerton Road, Lahore to transact the following business:-

1. To confirm the minutes of Extraordinary General Meeting held on November 04, 1998.
2. To receive and adopt the Annual Audited Accounts for the year ended June 30, 1998 alongwith Directors' and Auditors' Reports thereon.
3. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting and fix their remuneration.
4. Any other business with the permission of the Chair.

By Order of the Board

Lahore,
December 09, 1998.

SHEIKH MUHAMMAD SHAKEEL
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from 31 December 1998 to 06 January 1999 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as proxy. Proxies in order to be effective must be received at the Registered Office of the Company not later than forty-eight hours before the time of meeting and must be duly stamped, signed and witnessed.

3. Members are requested to notify the Company change in their addresses, if any.

Director's Report to the Members

GENTLEMEN

Your Directors are pleased to submit their Report together with the Audited Accounts of the Company for the year ended June 30, 1998.

FINANCIAL

1998 1997
(Rupees in thousands)

Net Sales	1,200,450	765,475
Gross Profit	231,740	97,965
Operating profit/(loss)	49,901	(29,486)
Loss before tax	(308,782)	(373,573)
Net loss for the year	(314,784)	(377,400)

AUDITORS & THEIR REPORT

The present Auditors Messrs. Manzoor Hussain Mir 8, Company, Chartered Accountants, retires and being eligible, offer themselves for reappointment.

No provision has been made for diminution in the value of investments in view of their long term nature and the fact that prices quoted on Stock Exchanges are abnormally depressed these days. The investee company is earning profits and breakup value of its shares is not only much more the prevailing price at Stock Exchange but is also greater than the cost of this investment.

THE MELLINIUM BUG

The company has already converted most of its applications compliant with year 2000 problem and will complete this work before year 2k.

CHAIRMAN'S REVIEW

The Directors of the Company endorse the contents of the Chairman's Review dealing with the activities of the Company.

PATTERN OF SHAREHOLDING

A statement showing pattern of holding of the shares held by the Shareholders of PAK ELEKTRON LIMITED as at June 30, 1998 is attached.

For and on behalf of the Board

Lahore,
December 09, 1998.

M. NASEEM SAIGOL
Chairman/Chief Executive

Auditors' Report to the Members

We have audited the annexed balance sheet of PAK ELEKTRON LIMITED as at June 30, 1998 and the related profit and loss account and cash flow statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1998 and of the loss and cash flow for the year then ended except for the persisting loss in the value of long term investment (Note: 5.2.2) for Rs. 46.385 million not provided in the accounts and the extent to which it may effect; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Lahore,
December 09, 1998.

MANZOOR HUSSAIN MIR & CO.
Chartered Accountants

Balance Sheets As at June 30, 1998

	Note	1998 (Rupees in thousands)	1997
FIXED CAPITAL EXPENDITURE	4	497,287	526,884
LONG TERM INVESTMENT	5	202,840	202,840
LONG TERM DEPOSITS		10,350	20,961

		710,477	750,685
CURRENT ASSETS			
Stores, spares and stock in trade	6	485,364	721,647
Trade debts	7	553,597	313,360
Advances, deposits and prepayments	8	292,687	242,821
Cash and bank balances	9	43,960	52,546

		1,375,608	1,330,374
CURRENT LIABILITIES			
Short term finance	10	761,315	1,045,577
Current portion of long term liabilities	11	100,874	83,957
Creditors, provision and accrued liabilities	12	201,240	450,846

		1,063,429	1,580,380
Net working capital		312,179	(250,006)

Total net assets		1,022,656	500,679
CONTINGENCIES AND COMMITMENTS	13		
LONG TERM LIABILITIES			
Long term loans	14	964,195	93,040
Liabilities against assets subject to finance lease	15	54,197	88,591

		1,018,392	181,631

Net worth		4,264	319,048
REPRESENTED BY		=====	=====
Share capital	16	185,418	185,418
Reserves	17	510,100	510,100
Unappropriated profit/(loss)		(691,254)	(376,470)
		-----	-----
SHAREHOLDERS' EQUITY		4,264	319,048
		=====	=====

Fixed assets have been revalued at Rs. 1,636,148 thousand giving rise to a surplus on re-valuation of fixed assets of Rs. 1,303,146 thousand which has not been accounted for. For further details refer Note 3.

The annexed notes (1) to (27) form an integral part of these financial statements.

M. AZAM SAIGOL
Director

M. NASEEM SAIGOL
Chairman/Chief Executive

MANZOOR HUSSAIN MIR & CO.
Chartered Accountants

Profit and loss Account

For the year ended June 30, 1998

	Note	1998 (Rupees in thousands)	1997
SALES - GROSS	18	1,406,036	952,767
SALES TAX AND EXCISE DUTY		205,586	187,292
		-----	-----
SALES - NET		1,200,450	765,475
COST OF SALES	19	968,710	667,510
		-----	-----
GROSS PROFIT		231,740	97,965
OPERATING EXPENSES			
Administrative	20	43,063	34,064
Selling	21	139,576	93,387
		-----	-----
OPERATING PROFIT / (LOSS)		182,639	127,451
FINANCIAL EXPENSES	22	(359,926)	(345,565)
OTHER INCOMES			
Profit on disposal of operating assets		862	1,478
Profit on bank deposit		1,181	-
PROFIT/(LOSS) BEFORE TAXATION		(308,782)	(373,573)
PROVISION FOR TAXATION	23	(6,002)	(3,827)
		-----	-----
PROFIT/(LOSS) AFTER TAXATION		(314,784)	(377,400)
Unappropriated profit/(Loss) brought forward		(376,470)	930
		-----	-----
UNAPPROPRIATED PROFIT / (LOSS)		(691,254)	(376,470)
		=====	=====

The annexed notes (1) to (27) form an integral part of these financial statements.

M. AZAM SAIGOL
Director

M. NASEEM SAIGOL
Chairman/Chief Executive

MANZOOR HUSSAIN MIR & CO.

Cash Flow Statement

For the year ended June 30, 1998

1998 1997
(Rupees in thousands)

CASH FLOW FROM OPERATING ACTIVITIES

Received from customers	1,416,415	1,296,535
Paid to Govt.. for		
Excise duty/sales tax	(196,737)	(203,542)
Turn over tax	(16,495)	(19,060)
Paid to employees	(131,046)	(117,421)
Paid to suppliers	(349,291)	(627,263)
Other payments	(276,311)	(44,505)
	-----	-----
Net cash flow from operating activities	446,535	284,744

CASH FLOW FROM INVESTMENT ACTIVITIES

Fixed capital expenditure	(25,161)	(13,139)
Net (increase)/decrease in long term deposits	10,610	4,733
	-----	-----
Net cash flow from investing activities	(14,551)	(8,406)

CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from lease finances	-	70,000
Repayments of finance lease liabilities	(17,101)	(39,181)
Repayments of long term loan	(12,286)	(15,937)
Financial charges	(310,427)	(265,531)
	-----	-----
Net cash flow from financing activities	(339,814)	(250,649)
	-----	-----
Net increase/(decrease) in cash and cash equivalent	92,170	25,689
Cash and cash equivalent at beginning of the year	(993,031)	(1,018,720)
	-----	-----
Cash and cash equivalent at the end of the year	(900,861)	(993,031)
	=====	=====
Cash and cash equivalent	43,960	52,546
Cash and bank balances	(944,821)	(1,045,577)
	-----	-----
Short term finances/Demand finance	(900,861)	(993,031)
	=====	=====

M. AZAM SAIGOL
Director

M. NASEEM SAIGOL
Chairman/Chief Executive

Notes to the Accounts

For the year ended June 30, 1998

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan under the Companies Act 1913 (now the Companies Ordinance, 1984) as a Public Limited Company and its shares are quoted on Stock Exchanges of Pakistan. The Company is engaged in the manufacture and sale of electrical capital goods and domestic appliances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under "historical cost" Convention.

2.2. Employees Retirement Benefits

The Company operates a contributory provident fund for all its permanent employees on contributions, based on salaries and wages, are made monthly to cover the obligations.

2.3 Taxation current

The provision for current taxation is based on taxable income at the current rate of taxation after taking into account tax credits and rebates available under the Income Tax Ordinance, 1979.

Deferred

The Company accounts for deferred tax on all the material timing differences using the liability method. However deferred taxation to certain extent is not provided if it can be established with reasonable probability that these timing differences will not reverse in foreseeable future.

2.4 Tangible Fixed Assets and Depreciation

Operating assets are stated at cost less depreciation. Assets produced internally are valued by taking the material at moving average cost, labour at actual and factory overheads proportionate to labour. Capital work-in-progress and machinery in transit are stated at cost.

Depreciation is charged to income on reducing balance method using the normal rates currently applicable for tax purposes except for leasehold land which is being amortized proportionately over the period of lease. A full year's depreciation is charged in the year of acquisition. However, depreciation on addition to plant and machinery is charged only for working period.

Normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Profit or loss on disposal of operating assets is charged to current income.

2.5 Assets Subject to Finance Lease

Assets under finance lease are stated at lower of present value of minimum lease payments under the agreement or the fair value of assets. The aggregate amount of obligations relating to these assets are accounted for at net present value of liabilities. Depreciation on these assets is charged in line with normal depreciation policy adopted for assets owned by the Company.

2.6 Stores, Spares and Stock-in-Trade

Stores, machinery maintenance, spares and loose tools are valued at moving average cost and spares in transit are stated at cost.

Raw materials and components are valued at moving average cost. The cost of work-in-process comprises of cost of materials, labour at actual and factory overheads proportionate to labour. Finished goods are valued at lower of cost or net realizable value. The raw materials and components in bond and in transit are valued at cost.

2.7 Foreign Currency Conversion

Foreign currency liability is converted at exchange rates prevailing at the balance sheet date. Variances relating to fixed assets are adjusted against the value of respective assets, while other are charged to current year's income

2.8 Revenue Recognition

The sale of goods is recognized on delivery of goods to customers.

3. OPERATING ASSETS- OWN - AT DEPRECIATED REPLACEMENT VALUE

Company's tangible fixed assets have been revalued by M/s M. Yousaf Adil Saleem & Co., an approved firm of Chartered Accountants by State Bank of Pakistan for reevaluation of assets. According to their report dated June 10, 1998 present replacement value has been determined as follows:

DESCRIPTION	(Rupees in thousands)		
	DEPRECIATED REPLACEMENT VALUE	BOOK VALUE	REVALUATION SURPLUS
LAND	606,833	1,420	605,413
BUILDING	153,089	77,818	75,271
MACHINERY	876,227	253,765	622,462
	-----	-----	-----
	1,636,149	333,003	1,303,146
	=====	=====	=====

Recognition of above reevaluation in the books of accounts would have given rise to a surplus on reevaluation of fixed assets amounting to Rs. 1,306,604 thousands as shown above and an additional depreciation charged of approx. Rs. 100,000 thousands per annum. The said reevaluation has not been recognized in the books of accounts.

4. FIXED CAPITAL EXPENDITURE

	Note	1998	1997
		(Rupees in thousands)	
Operating assets:			
Own	(4.1)	359,791	363,528
Subject to finance lease	(4.2)	131,455	155,063
Capital work in progress	(4.3)	6,041	8,293
		-----	-----
		497,287	526,884
		=====	=====

4.1 Operating assets-own-at book value

	Cost as at	Additions	(Deletions)	Cost as at	Depreciation	Accumulated	Written down
	01-Jul-97			30-Jun-98		rate%	depreciation
						as at 30 June 98	30June 98
Land-Leasehold	3,037	-	-	3,037	-	1,617	1,420
Building on leasehold							
land	126,801	2,423	-	129,224	10	54,865	74,359
Building- Other	6,508	-	-	6,508	10	3,049	3,459
Machinery & tools	424,181	28,135	-	452,316	10	198,550	253,766
Office Equipment							
furniture & fixture	19,889	2,456	(9)	22,336	10	9,227	13,109
Vehicles	33,966	10,716	(3,902)	40,780	20	27,102	13,678
	=====	=====	=====	=====	=====	=====	=====
Total	614,382	43,730	(3,911)	654,201	-	294,410	359,791
	=====	=====	=====	=====	=====	=====	=====
1997	545,180	76,769	(7,567)	614,382	-	250,854	363,528
	=====	=====	=====	=====	=====	=====	=====

4.1.1. Depreciation for the year has been charged to

	1998	1997
	(Rupees in thousands)	
Cost of Sales	37,285	38,517
Administrative Expenses	2,438	2,169
	-----	-----
	39,723	40,686
	=====	=====

4.1.2 Fixed assets register is under preparation

4.1.3 Disposal of operating assets

Description	Cost	Accumulated Depreciation	Net Book Value	Sale Price	Profit/ (Loss)	Particulars of Purchaser (Through negotiation)
VEHICLES						
LOU-3291 Car Mitsubishi Lancer	953	465	488	447		(41) Imran Iqbal Sheikh, 641-X, LCCHS, Lahore Cantt.
LOQ-7737 Yamaha Motorcycle 100cc	35	23	11	35		24 Khurshid Ahmad, 6-Boostan Colony Amarsidhu, Lahore.
LOR-4118 Yamaha Motorcycle 100cc	34	20	14	35		21 Arshad Ali, 37/2-E, Street 2, Amarsidhu, Lahore.
LOR-4135 Yamaha Motorcycle 100cc	35	21	14	35		21 M. Siddique, Village Kamahan, War-14, Lahore Cantt.
LOR-4136 Yamaha Motorcvcle 100cc	34	20	14	35		21 Abdul Khaliq Naeem, 141-Amir Block, Nishtar Colony, Lahore.
LOR-4139 Yamaha Motorcycle 100cc	35	20	14	35		21 Yousaf Kanwal, E-362, Street 7, Madina Colony, Walton, Lahore.
LOQ-7716 Yamaha Motorcycle 100cc	35	24	11	35		24 Sy. Sohail Hussain, 433/9-B-1A, Pir Col. Walton, Lahore.
LOQ-7718 Yamaha Motorcycle 100cc	35	23	11	34		23 Ch. Ghulam Rasool, 40/14, Maqbool Road, Ichhra, Lahore.
LOQ-7719 Yamaha Motorcycle 100cc	34	23	12	35		23 Anwar Shahzad, 1-Jared Col., Ghazi Road, Lahore.
LOQ-7720 Yamaha Motorcycle 100cc	35	24	11	35		24 Majid Rashid, 386-B, satellite Town, Gujranwala.
LOO-7723 Yamaha Motorcycle 100cc	35	23	11	35		24 Sy. Zahir Ahmad, 12/21-Rehmanpura, Lahore
LOQ-7724 Yamaha Motorcycle 100cc	34	23	12	34		22 Malik Allah Rakha, E-606, Charar, Lahore Cantt.
LOQ-7726 Yamaha Motorcycle 100cc	35	24	11	35		24 Imdad Rabi, 2-S, 46/1, Jinnah Colony, Pindi Rajpootan, Lahore.
LOQ-7728 Yamaha Motorcycle 100cc	35	23	12	34		22 Masood Ahmad Khan, 6-26/D, Federal Colony, Lahore.
LOQ-7729 Yamaha Motorcycle 100cc	34	23	12	35		23 Abdul Ghaffar Waqar, 145-H, Johar Town, Lahore.
LOQ-7731 Yamaha Motorcycle 100cc	35	24	11	34		23 Javed Akhtar Bhatti, Bhanwandas Bldg., Saddar, Lahore Cantt.
LOQ-7734 Yamaha Motorcycle 100cc	35	23	11	35		24 Mansoor Ahmad, 21-A, Habib ullah Road, Gari Shahu, Lahore.
LOQ-7738 Yamaha Motorcycle 100cc	34	23	12	35		23 Ch. Ghulam Rasool, 40/14, Maqbool Road, Ichhra, Lahore.
LOQ-7740 Yamaha Motorcycle 100cc	35	24	11	35		24 M. Riasam Awan, E-97/2, Farooq Colony, Walton, Lahore Cantt.
LOQ-7742 Yamaha Motorcycle 100cc	35	23	11	34		23 Sh. Jalil ur Rehman, 188-New Anarkali, Lahore.
LOQ-7746 Yamaha Motorcycle 100cc	34	23	12	35		23 S.M. Akhtar, 884.H.S., Garri Shahu, Lahore.
LOQ-7747 Yamaha Motorcycle 100cc	35	24	11	35		24 M. Iqbal Qasim Bhutta, 50-B-2, Q-Block, Model Town, Lahore.
LOQ-7748 Yamaha Motorcycle 100cc	35	23	11	35		24 M. Naeem, 40-11-B-I, Township, lahore.
LOQ-7749 Yamaha Motorcycle 100cc	34	23	12	34		22 Mohsin Atta, 800/g-Railway Colony, Faisalabad.

LOQ-7750	Yamaha Motorcycle 100cc	35	24	11	35	24 Athar Farid, 897/1, Shabnam Colony, Amarsiddhu, Lahore.
LOQ-7753	Yamaha Motorcycle 100cc	35	23	11	34	23 Zulfiqar All, 1514-Rasoolpura, Railway Road, Multan.
LOQ-9855	Yamaha Motorcycle 100cc	35	23	12	35	23 Sajjad Raza, Ali Razaabad, Raiwind Road, Lahore.
LOQ-9854	Yamaha motorcycle 100cc	35	24	11	44	33 Jabbar Khan, H-122, Hakim Street No. 26, Samanabad, Lahore.
LOQ-7752	Yamaha Motorcycle 100cc	35	23	12	35	23 Rana Javed Iqbal, Chak No. 11/WB, Vehad.
LOQ-9853	Yamaha Motorcycle 100cc	35	23	12	35	23 Insurance Claim, EFU, 23-Shahra-e-Quaid-e-Azam, Lahore.
LOS-6033	Suzuki Mehran 800cc	178	106	73	44	(29) Akhlaq Ahmad Shah, 122-N, Samanabad, Lahore.
LOS-2422	Suzuki Mehran 800cc	183	108	75	46	(29) Khalid Azeem, 1114, M--Block, Model Town, Ext.,, Lahore.
LOU-3764	Suzuki Mehran 800cc	217	128	89	89	- Fawwad Saeed, 154-J-II, Phase-II, Johar Town, Lahore.
LOS-600	Mitsubishi Gallant	1318	778	540	800	260 Samin Textile Ltd., 50C, Main Gulberg, Lahore.
LOW-3045	Honda Motorcycle 70cc	46	23	24	46	22 M. Mushtaq, Village Manawala, Badian Lahore.
OFFICE EQUIPMENT						
Pistol 0.32		9	3	6	9	3 Ibadat Hussain, H.222, Street No. 11,
		3911	2275	1636	2498	862

4.2 Schedule of assets - subject to finance lease

Description	Cost as at		(Deletions)	Cost as at		Depreciation rate%	Accumulated	Written down
	01-Jul-97	Additions		30-Jun-98	30-Jun-98		depreciation as at 30 June 98	value as at 30 June 98
Machinery	201,599	-	(6,575)	195,024	10	67,701	127,323	
Office equipment	2,066	-	-	2,066	10	1,049	1,017	
Vehicles	14,607	-	(8,105)	6,502	20	3,387	3,115	
Total	218,272	-	(14,680)	203,592		72,137	131,455	
1997	277,419	-	(59,147)	218,272		63,209	155,063	

4.2.1 Depreciation for the year has been charged to

	1998	1997
	(Rupees in thousands)	
Cost of Sales	14,593	17,278
Administrative Expenses	446	1,068
	15,039	18,346

4.3 Capital work-in-progress

Building	113	2,177
Machinery	5,928	6,116
	6,041	8,293

5. LONG TERM INVESTMENT - AT COST

5.1 In subsidiaries

5.1.1 Quoted

PEL Appliances Limited

2,934,300 ordinary shares of Rs. 10/- each at an average cost of Rs. 17.942 each Equity held 50.17% market value of shares is Rs. 4.75 per share = Rs. 13,938 thousands (1997 - 2,934,300 ordinary shares of market value of Rs. 14.60 per share: Rs. 42,841 thousands)

	83,639	83,639
--	--------	--------

5.1.2 Unquoted

PEL Daewoo Electronics Limited
4,200,000 ordinary shares of Rs. 10/- each
Equity held 60% Break up value on the basis of audited accounts as at 30 June 1998 works out to Rs. Nil.

	42,000	42,000
--	--------	--------

5.2 In associated companies

5.2.1 Quoted

Union Bank Limited
2,847,656 ordinary shares of Rs. 10/- each
market value of shares is Rs. 7.00 per share: Rs. 19,934 thousands (1997 - 2,847,656 ordinary shares of market value of Rs. 10.20 per share Rs. 29,046 thousands)

	22,500	22,500
--	--------	--------

5.2.2 Kohinoor Power Company Limited

2,772,000 ordinary shares of Rs. 10/- each
Equity held 23.10% market value of share is Rs. 3.00 per share - Rs. 8,316 thousands (1997 - 2,772,000 ordinary shares of market value of shares Rs. 7.65 per share Rs. 21,206 thousands)

	54,701	54,701
--	--------	--------

	42.188 M	-----
Break-up value of unquoted shares	Nil	202,840
		202,840
		=====

The short fall in value of shares of Public Companies amounting to Rs. 118,652 thousands is not provided being of temporary nature. For the same reason, the provision for shares of un-quoted company to the sum of Rs. 42,000 thousands is not made.

6. STORES, SPARES AND STOCK-IN-TRADE

	1998	1997
	(Rupees in thousands)	

- Stores and spares

Stores	351	351
Machinery maintenance spares	1,039	571
Loose tools	411	411
	-----	-----
	1,801	1,333

- Stock-in-trade

Raw materials and components		
in stores (Note 6.1)	215,983	262,014
in bonded warehouse	55,091	106,372
in transit	11,558	7,767
Work-in-process	107,554	112,197
Finished goods	93,377	231,964
	-----	-----
	483,563	720,314
	-----	-----
	485,364	721,647

6.1 Stores of Rs. 9,601 thousands issued for processing are lying with vendors. (1997 - Rs. 10,464 thousands)

7. TRADE DEBTS- UNSECURED

Considered good	553,597	313,360
Considered doubtful	13,598	7,220
	-----	-----
	567,195	320,580
less: Provision for doubtful debts	13,598	7,220
	-----	-----
	553,597	313,360
	=====	=====

8. ADVANCES, DEPOSITS AND PREPAYMENTS

1998 1997
(Rupees in thousands)

Advances to employees (considered good) for:		
Purchases	4,045	2,211
Expenses	6,410	5,198
Others	718	843
	-----	-----
	11,173	8,252
Advances to suppliers and contractors	68,024	57,875
Advance excise duty	512	5,086
Letters of credit	3,243	3,021
Security deposits	17,702	8,170
Margin deposits	14,671	15,294
Prepaid expenses	1,719	3,532
Insurance claims receivable	143	1,821
Custom duty refundable (8.1)	28,593	28,593
Tax receivable (Payment less provision for taxation)	81,474	70,982
Other advances	42,372	8,922
Mark up recoverable	23,061	31,273
	-----	-----
	292,687	242,821
	=====	=====

8.1 The matter was decided by Lahore High Court in favour of company.

9. CASH AND BANK BALANCES

Cash in hand	17,928	5,251
Balance with banks - on current accounts	34,618	38,709
	-----	-----
	43,960	52,546
	=====	=====

10. SHORT TERM FINANCES

	LIMIT		
	(MILLION)		
From: Banking companies			
Running finance	779	715,921	800,211
Less: Converted in long term loan Demand Finance-1		183,506	-
		532,415	800,211
Import bill purchased		198,646	36,594
Less: Converted in long term loan Demand Finance-3		198,646	-
		-----	-----
		-	36,594
Associated company	45	79,674	49,979
Financial institutions	131,832	123,724	131,502

Book Overdraft	25,502	27,291
	-----	-----
	761,315	1,045,577
	=====	=====

Security Running finances are secured against the pledge/hypothecation of raw materials and components, work-in-man-process, finished goods, machinery, spare parts, charge over book debts, shares of Public Companies, other assets and personal guarantees of the directors of the Company.

Mark-up Rupee 0.38 to rupee 0.87 per thousands rupees per day.

11. CURRENT PORTION OF LONG TERM LIABILITIES

	1998	1997
	(Rupees in thousands)	
Long term loans	37,058	37,434
Liabilities against assets subject to finance lease	63,816	46,523
	-----	-----
	100,874	83,957
	=====	=====

12. CREDITORS, PROVISIONS AND ACCRUED LIABILITIES

Trade creditors	71,615	60,668
Foreign bills payable (Note: 12.1)	63,172	77,059
Less: Converted in long term Demand finance-3	61,034	-
	2,138	77,059
Accrued liabilities	10,272	5,798
Import duties and surcharge payable	8,246	16,643
Accrued interest / mark-up on secured loans	236,663	195,375
Less: Converted in long term Demand finance-1	177,977	-
	58,686	195,375
Advances from customers	32,870	15,970
Sales tax payable	16,461	12,185
Employees provident fund	804	893
Other liabilities (Note 12.2)	148	66,255
	-----	-----
	201,240	450,846
	=====	=====

12.1 Foreign bills payable are secured against bills of exchange accepted by the Company in favour of suppliers.

12.2 Other liabilities are due to subsidiary Companies.

13. CONTINGENCIES AND COMMITMENTS

1) The banks and insurance companies have arranged guarantees, letters of credit and discounting of receivable from WAPDA/KESC on behalf of the Company as detailed below:

Tender bonds	190,333	119,217
Performance bonds	32,859	39,747
Advance guarantees	21,086	49,926
Custom guarantees	18,326	36,455
Letters of credit	39,686	13,681
Bill discounted	259,087	348,165

2) Tax demanded by Income Tax department for the assessment year 1995-96 Rs. 20,7691 thousands. Appeals filed by company and department before learned Income Tax Appellate Tribunal being

subjudice (for further details see Note No. 23)

3) Claims of the leasing company are under negotiation Rs. 2,844 thousands.

14. LONG TERM LOANS - SECURED

	1998	1997
	(Rupees in thousands)	
From banking company (Note 14.1)		
Demand finance 1:		
Conversion from:		
Running finances	183,507	-
Mark up payable	177,977	-
	361,484	-
Demand finance 2. (Note 14.1)		
Conversion from bills discounted payable	261,902	-
Demand finance 3: (Note 14.1)		
Conversion from:		
Short term finances	198,646	-
Import bills	61,033	-
Demand finance	70,000	70,000
	-----	-----
	329,679	70,000
Demand finance 4: (Note 14.2)	38,816	49,812
From financial institutions (Note 14.3)	9,372	10,662
Less: Current portion	(37,058)	(37,434)
	-----	-----
	964,195	93,040
	=====	=====

14.1 The company has got restructured its short term liabilities upto 30 September 1998 vide NBP sanction letter MB.CR.CF. dated 4 December, 1998.

Security First charge on present and future fixed assets of the company.
First floating charge on current assets of the company.
Personal guarantees of all the directors of the company.
Lien on outstanding inland bills drawn on WAPDA till full adjustment of loan.

**Interest/
Mark-up** These loans carry interest @ 12% p.a.

Repayments: Demand Finance-1 is repayable in 12 half yearly equal installments commencing from March 31, 2002.
- Demand Finance-2, Rs. 61.902 thousands is repayable in 1st year commencing from March 31, 1999 and Rs. 100,000 thousands in 2nd year in 2 equal half yearly installments commencing from March 31, 2000 and remaining 100,000 thousands will be paid in 8 equal half yearly installments commencing from March 31, 2001.
- Demand Finance-3 is repayable in 12 half yearly equal installments commencing from March 31, 2002.

14.2 the Company has obtained from National Bank of Pakistan demand finance loan (balance as at 30 June 1998 Rupees 38,816 thousands).

Security First charge on the movable and immovable assets of the company and personal guarantees of the Directors.

Interest/

Mark-up Rupee 0.51 per thousands Rupees per day on demand finance.

Repayments: Demand Finance Loan is repayable in ten half yearly installments commencing from 31 December, 1995.

14.3 The Company has obtained from Pakistan Industrial Credit and Investment Corporation Limited, foreign currency loans for the expansion, balancing modernisation and replacement of the plant (balance as at 30 June, 1998 Rupees 9,372 thousands).

It is secured against first charge ranking par passu with National Bank of Pakistan on immovable properties, hypothecation of plant and machinery and floating charge on other assets. It is repayable in twenty half yearly installments commenced from 01 July, 1992.

It carries mark up @ 15% per annum.

15. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	1998	1997
	(Rupees in thousands)	
Balance from previous year	135,114	174,295
Less: Payments made during the year	17,101	39,181
	-----	-----
	118,013	135,114
Less: Current portion	63,816	46,523
	-----	-----
	54,197	88,591
	=====	=====

The rentals are payable in monthly/quarterly installments under different lease agreements. The balance amount is payable in the following periods.

Year ending 30 June 1999	79,967
Year ending 30 June 2000	44,963
Year ending 30 June 2001	16,192
Total	141,122
Less: Financial charges	23,109

	118,013
	=====

The present value of minimum lease payments have been discounted at an effective interest rate of 18.65% to 22.50% per annum. Repairs and insurance costs are to be borne by the lessee.

The liability is secured by deposit of Rupees 18,343 thousands and personal guarantees of directors of the Company. The rentals payable to the extent of Rupee 18,500 thousands as at 30 June 1998 are further secured against the pledge of 839,000 ordinary shares of Rupees 10/- each of the Companies listed on stock exchange.

The company intends to exercise its option to purchase the leased assets at the termination of lease period.

16. SHARE CAPITAL

	1998	1997
	(Rupees in thousands)	
- Authorised		
25,000,000 ordinary shares of Rs. 10/- each	250,000	250,000
	=====	=====
-Issued, subscribed and paid-up		
18,541,800 ordinary shares of Rs. 10/- each		

fully paid.

8,352,500 shares for cash	83,525	83,525
10,051,800 shares as bonus shares	100,518	100,518
137,500 shares against building and machinery	1,375	1,375
	-----	-----
	185,418	185,418
	=====	=====

17. RESERVES

- General		
Balance from previous year	385,000	385,000
Premium on issue of shares	125,100	125,100
	-----	-----
	510,100	510,100
	=====	=====

18. SALES - GROSS

Local	1,392,836	892,802
Export	13,200	59,965
	-----	-----
	1,406,036	952,767
	=====	=====

19. COST OF SALES

Raw materials and components	629,448	580,304
Direct wages	36,458	36,999
Factory overheads (Note 19.1)	98,815	104,463
	-----	-----
	764,721	721,766

(Increase)/decrease in work-in-process

Opening inventory	112,197	151,277
Closing inventory	107,553	112,197
	-----	-----
	4,644	39,080

Cost of goods manufactured	769,365	760,846
Finished goods purchased	60,757	50,754

(Increase)/Decrease in finished Goods

Opening inventory	231,965	87,875
Closing inventory	93,377	231,965
	-----	-----
	138,588	(144,090)
	-----	-----
	968,710	667,510
	=====	=====

19.1 Factory overheads

1998 1997
(Rupees in thousands)

Salaries and other benefits	39,280	39,962
Travelling and conveyance	4,442	4,443
Electricity and 9.as	19,382	16,956
Repairs and maintenance	17,212	18,107
Vehicles running and maintenance	2,231	3,495
Insurance	7,527	3,529
Depreciation/Amortization	51,793	55,710
Amortisation of lease hold land	85	85
Carriage and freight	2,567	7,681
Erection and testing	1,101	3,253
Other factory overheads	2,734	2,978

	148,354	156,199
Less: Charged to		
Component fabricated	39,041	40,118
Operating assets	10,498	11,618

	49,539	51,736

	98,815	104,463
	=====	=====

20. ADMINISTRATIVE EXPENSES

Salaries and other benefits	20,153	18,423
Travelling and conveyance	1,323	704
Rent, rates and taxes	184	500
Legal and professional	698	334
Electricity and gas	2,463	1,515
Auditors' remuneration		
Audit fee	50	50
Tax consultancy and out of pock expenses	150	175

	200	225
Repair and maintenance	3,805	3,237
Vehicles running and maintenance	1,576	1,522
printing stationery and periodicals	1,814	2,915
Postage, telegrams and telephones	2,175	1,837
Entertainment and staff welfare	903	971
Advertisement	91	226
Insurance	816	805
Depreciation / Amortization	2,884	3,237
Donation	-	13
	6,378	-
Provision for doubtful debts	-----	
	45,463	36,464
Less: Charges for services rendered to subsidiary company	(2,400)	(2,400)

	43,063	34,064
	=====	=====

21. SELLING EXPENSES

Salaries and other benefits	19,553	16,765
Travelling and conveyance	6,917	4,648
Rent, rates and taxes	4,182	3,791
Electricity and gas	1,159	953
Repairs and maintenance	1,026	899
Vehicles running and maintenance	1,755	1,684
Printing, stationery and periodicals	1,422	1,805
Postage, telegrams & telephones	5,690	6,165
Entertainment and staff welfare	1,010	1,088
Advertisement and sales promotion	66,649	30,606
Insurance	1,187	4,395
Freight and forwarding	19,551	13,298
Contract and tendering	70	63
Warranty period services	13,605	18,016

	143,776	104,176
Less: Charges for services rendered to subsidiary company	4,200	10,789

	139,576	93,387
	=====	=====
22. FINANCIAL EXPENSES		
Bank charges and commission	8,170	10,338
Excise duty on bank advances	-	14,103
Interest/mark up on:		
- Long term loans	28,577	21,077
- Short term loans	317,033	302,173
Workers' profit participation fund	-	57
Financial charges on leased assets	25,549	27,351
Interest paid/(received) from subsidiary	(14,514)	1,739
Interest / follow up charges from:		
WAPDA	(4,889)	(16,672)
Dealers	-	(14,601)
	-----	-----
	(4,889)	(31,273)
	-----	-----
	359,926	345,565
	=====	=====

23. PROVISION FOR TAXATION

	1998	1997
	(Rupees in thousands)	
Current year	6,002	3,827

Assessments are completed for and upto accounting year ended 30 June 1996 (relevant assessments year 1996-97 with minor adjustments. In making assessment for assessment year 1995-96, the sale proceeds of goodwill Rs. 80,000 thousands claimed exempt were subjected to tax as capital again and heavy additions aggregating to Rs. 109,372 thousands were made out of Profit and Loss expenses. Assessment on issue of tax liability of goodwill was set aside by learned CH (A) while most of Profit and Loss additions were deleted. The company as well as department have filed appeals before ITAT which are yet pending. For deferred taxation (Note 2.3) may be referred.

24. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS AND EXECUTIVES

The aggregate amount of remuneration, including certain benefits to the directors and executives of the company charged in the accounts for the year is as follows:

	(Rupees in thousands)		
Number of persons	Directors	Executives	Total
	2	38	40
Managerial remuneration	720	11,301	12,021
House rent	324	5,086	5,410
Utilities	72	1,121	1,193
Bonus	-	1,318	1,318
Company's contribution to Provident Fund	-	1,057	1,057
Reimbursable expenses			
Vehicle running & maintenance	175	2,516	2,691
Medical expenses	-	1,786	1,786
Telephone	164	122	286
	1455	24,307	25,762

25. TRANSACTIONS WITH ASSOCIATED COMPANIES AND MAXIMUM DEBIT BALANCES

	1998	1997
	(Rupees in thousands)	
Sales/services rendered	112,020	71,301
Loan from an associated company	79,674	49,979

Interest paid / (received)	12,730	1,739
The maximum amount due at the end of any month	184,603	48,274
Purchase made from subsidiary company	15,530	44,846

26. PLANT CAPACITY AND ACTUAL PRODUCTION

	Sanctioned/ Installed Capacity 1998	Actual Production 1998	Sanctioned/ Installed Capacity 1997	Actual Production 1997
Electric motors	25,612 HP	Nil	25,612 HP	Nil
Transformers	959 MVA	325 MVA	959 MVA	330 MVA
Switch gears	1,999 NOS.	191 NOS.	1,999 NOS.	427 NOS.
Energy Meter	450,000 NOS.	137,656 NOS.	300,000 NOS.	73,288 NOS.
Airconditioners	36,250 TONS.	Nil	36,250 TONS	Nil
Refrigerators/Deep Freezers	435,821 CFF	282,149 CFT	435,821 CFT	281,701 CFT
Compressors	360,000 NOS.	56,610 NOS.	360,000 NOS.	42,757 NOS.

The utilization of capacity is dependent on overall demand, supply and availability of imported Goods in the local market.

27. GENERAL

27.1 Balance confirmation letters were circulated to debtors and creditors for confirmation direct to the auditors, only a few replies were received.

27.2 Figures have been rounded off to the nearest of thousand Rupees and previous year figures have been reclassified wherever necessary, for the purpose of comparison.

M. AZAM SAIGOL
Director

M. NASEEM SAIGOL
Chairman/Chief Executive

Statement & Report

Under Section 237 of the Companies Ordinance, 1984

PEL Appliance#EL Daewoo
Limited Electronics
Limited
I II

STATEMENT UNDER SUB-SECTION (1)(E)

(a) Extent of the interest of Pak Elektron Limited
(the holding Company) in the equity of its subsidiaries at the end of the last financial year of the subsidiaries

5017% 60%

(b) The net aggregate amount of profit less losses of the subsidiary companies so far as these concern members of the holding Company and have not been dealt with in the accounts of the holding Company for the year ended 30 June 1998 are:

(i) for the previous year of the subsidiaries (88,113) (66,469)

(ii) for the previous years but subsequent to the acquisition of the controlling interest by the holding Company (133,851) (89,369)

(221,964) (155,838)
=====

(c) The net aggregate amount of profits less losses of the subsidiary companies so far as these have been dealt with or provisions made for losses in the accounts of the holding Company for the year ended 30 June, 1998.

(i) for the last financial year of the subsidiaries - -

(ii) for the previous years but subsequent to the acquisition of the controlling interest by the holding Company - -

STATEMENT UNDER SUB-SECTION (I) (F)

(a) There has been no change in the holding Company's interest in subsidiaries between the end of the subsidiary's financial year and the end of the holdin9 Company's financial year. - -

(b) No material changes have occurred between the end of the financial year of subsidiaries and the end of the holding Company's financial year in respect of the subsidiary's fixed assets, the holding Company's investment and the moneys lent by it and the money borrowed by it for purposes other than that of meetin9 current liabilities.

STATEMENT UNDER SUB-SECTION (I) (G) N.A. N.A.

M. AZAM SAIGOL **M. NASEEM SAIGOL**
Director Chairman/Chief Executive

PEL Daewood Electronics Limited

Company Information

BOARD OF DIRECTORS

Mr. M. Naseem Saigol
(Chairman/Chief Executive)
Mr. M. Azam Saigol
Mrs. Sehyr Saigol
Mr. Shahid Sethi
Mr. Kwi Hyen Nam
Mr. Heung Suk Song
Mr. Haenq Kie Seo

COMPANY SECRETARY
Mr. Haroon Ahmad Khan

AUDITORS
Hameed Chaudhri & Co.
Chartered Accountants

BANKERS
Askari Commercial Bank Limited
Muslim Commercial Bank Limited

REGISTERED OFFICE
06-Egerton Road,
Lahore.

WORKS
Phase IV, Hattar Industrial Estate,
Hattar, Distt. Haripur, N.W.F.P.

Directors' Report to the Members

GENTLEMEN

Your Directors are pleased to submit their Report together with the Audited Accounts of the Company for the year ended June 30, 1998.

FINANCIAL

	1998	1997
	(Rupees in thousands)	
Profit/(loss) before tax	(66,469)	(56,308)
Add: Unappropriated profit/(loss) brought forward	----- (89,369)	----- (33,061)
	=====	=====

AUDITORS

The present Auditors Messrs. Hameed Chaudhri 8, Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

THE MELLINIUM BUG

The company has already converted most of its applications compliant with year 2000 problem and will complete this work before year 2k.

CHAIRMAN'S REVIEW

The Directors of the Company endorse the contents of the Chairman's Review dealing with the activities of the Company.

For and on behalf of the Board

Lahore,
December 09, 1998.

M. NASEEM SAIGOL
Chairman/Chief Executive

Auditors' Report to the Members

We have audited the annexed Balance Sheet of PEL DAEWOO ELECTRONICS LIMITED as at June 30, 1998 and the related Profit and Loss Account, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the

Balance Sheet and Profit and Loss Account, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June, 1998 and of the loss for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Lahore,
December 09, 1998.

HAMEED CHAUDHRI & CO.
Chartered Accountants

Balance Sheet
As at June 30, 1998

	Note	1998 (Rupees in thousands)	1997
SHARE CAPITAL			
Authorised 10,000,000 ordinary shares of Rs. 10 each		100,000 =====	100,000 =====
Issued, subscribed and paid-up 7,000,000 ordinary shares of Rs. 10 each issued for cash	4	70,000	70,000
ACCUMULATED LOSS		(155,838)	(89,369)
		(85,838)	(19,369)
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	5	39,933	25,930
DEFERRED LIABILITY FOR GRATUITY		389	473
CURRENT LIABILITIES			
Current portion of liabilities against assets subject to finance lease	5	8,209	14,509
Short term finances	6	99,292	102,364
Creditors, accruals and other liabilities	7	48,285	35,134
		155,786	152,007
CONTINGENCIES AND COMMITMENTS	8		
		110,270 =====	159,041 =====
TANGIBLE FIXED ASSETS			
Operating fixed assets	9	74,713	82,932
LONG TERM DEPOSITS AND DEFERRED COSTS	10	455	1,238
CURRENT ASSETS			
Stock-in-trade	11	17,843	37,631
Trade debts	12	10,529	23,016
Advances, deposits, prepayments and other receivables	13	5,933	6,496
Cash and bank balances	14	797	7,728
		35,102	74,871
		110,270	159,041

=====

The annexed notes 1 to 22 form an integral part of these accounts.

M. AZAM SAIGOL	M. NASEEM SAIGOL	HAMEED CHAUDHRY & CO.
Director	Chairman/Chief Executive	Chartered Accountants

Profit and Loss Account

For the year ended June 30, 1998

	Note	1998 (Rupees in thousands)	1997
SALES- NET	15	16,907	77,652
COST OF SALES	16	32,179	83,454
		-----	-----
GROSS LOSS		(15,272)	(5,802)
ADMINISTRATIVE AND SELLING EXPENSES	17	16,356	15,052
		-----	-----
OPERATING LOSS		(31,628)	(20,854)
OTHER INCOME	18	1,338	1,779
		-----	-----
		(30,290)	(19,075)
OTHER CHARGES			
Financial	19	34,874	29,652
Miscellaneous	20	1,305	7,581
		-----	-----
		36,179	37,233
		-----	-----
LOSS FOR THE YEAR		(66,469)	(56,308)
Accumulated LOSS			
- Brought forward		(89,369)	(33,061)
		-----	-----
-Carried to Balance Sheet		(155,838)	(89,369)
		=====	=====

The annexed notes 1 to 22 form an integral part of these accounts.

M. AZAM SAIGOL	M. NASEEM SAIGOL	HAMEED CHAUDHARY & CO.
Director	Chairman/Chief Executive	Chartered Accountants

Auditors' report annexed

Notes to the Accounts

For the year ended June 30, 1998

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated on 18 April, 1994 as a Public Company. It is principally engaged in assembling and manufacturing of all sorts of television sets and components thereof under a joint venture agreement between Pak Elektron Limited (PEL) Pakistan and Daewoo Electronics Company Limited - Republic of Korea.

The Company is a Subsidiary of PEL.

2. BASIS OF ACCOUNTING

The Company's manufacturing operations had to be closed during the year due to high cost of production. The Company, however, is in the process of finalising an agreement with one of the foreign manufacturers of television whereby the Company's manufacturing capacity will be utilised by the said foreign Company in consideration of Conversion Charges to be calculated on the basis of television sets assembled by the Company during a period. These accounts, therefore, have been

prepared on the 'Going Concern' basis on the assumptions that the Company will be successful in finalising the contemplated agreement with one of the foreign Companies, will achieve satisfactory levels of profitability in the foreseeable future and will have the required continued financial support from the Bankers, Financial Institutions and Sponsors of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These accounts have been prepared under the historical cost convention modified by adjustments of exchange rate fluctuations as stated in note 3.3.

3.2 Staff retirement benefits

The Company operated an unfunded Gratuity Scheme covering all its eligible employees until June 30, 1996. Liability for the period up to June 30, 1996 has been worked-out and provided for in the accounts.

The Company is operating a Contributory Provident Fund Scheme for all its permanent employees since July, 1996. Contributions based on salaries and wages of the employees are made monthly to cover obligation under the Scheme.

3.3 Foreign currency translations

Foreign currency transactions are converted into Pak Rupees at exchange rates ruling on the transactions' dates. Assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates ruling on the balance sheet date except where forward exchange rates have been booked which are translated at the Contracted Rates.

Exchange fluctuations are taken to Profit and Loss Account.

3.4 Tangible fixed assets and depreciation

Owned:

Operating fixed assets are stated at cost less accumulated depreciation except freehold land, leasehold land and capital work-in-progress which are stated at cost. Borrowing costs pertaining to construction/erection period are capitalised as part of historical cost.

Depreciation is charged on operating fixed assets applying reducing balance method to write-off the cost over estimated remaining useful life of assets. Current rates of depreciation are stated in note 9. No depreciation is provided on assets in the year of disposal whereas full year's depreciation is provided on assets in the year of purchase.

Gain/loss on disposal of fixed assets is taken to Profit and Loss Account. Normal repairs and maintenance are charged to income, as and when incurred. Major renewals and replacements are capitalised and assets replaced, if any, other than those kept as stand-by are retired.

Leased:

Assets subject to Finance Lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The aggregate amount of obligation of assets subject to Finance Lease are accounted for at the principal liability under the lease agreement. Financial charges are allocated to accounting years in a manner so as to provide a constant rate of financial cost on the remaining balance of principal liability for each year.

Depreciation is charged at the rates stated in note 9 applying reducing balance method to write-off cost of the assets over their estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

Financial charges and depreciation on leased assets are taken to Profit and Loss Account.

3.5 Deferred costs

Expenses, the benefit of which is expected to spread over several years, are deferred and amortised over a period of not more than five years.

3.6 Stock-in-trade

Basis of valuation are as follows:

Particulars	Mode of valuation
Raw materials:	At lower of specific identified cost
At warehouse	and net realisable value.
Stock-in-transit	At invoice value and other charges incurred to the balance sheet date.
Work-in-process and finished goods	At lower of manufacturing cost and net realisable value;

Manufacturing cost in relation to work-in-process and finished goods comprises of raw materials Cost (determined on specific identification of cost method) and appropriate conversion cost (determined on annual average method).

Net realisable value signifies the prevailing selling prices in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

3.7 Revenue recognition

Revenue from sales is recognized when goods are despatched and invoiced.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Pak Elektron Limited, the Holding Company, owned 4,200,000 Ordinary Shares i.e. 60% of the Company's Paid-up Capital as at June 30, 1998 and June 30, 1997.

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Pacific Leasing Limited	Lease Pak Limited	Atlas Lease Limited	1998	1997
(Rupees in thousands)				

Balance amount of future lease payments and the periods in which these will become due:

FINANCIAL YEAR

1997-98	-	-	-	22,554
1998-99	11,537	840	2,705	15,082
1999-2000	4,357	8,400	9,530	22,287
2000-2001	-	13,200	7,129	20,329
2001-2002	-	13,200	-	13,200
2002-2003	-	17,726	-	17,726
	15,894	53,366	19,364	88,624
			88,624	58,422
Less: Security deposits adjustable on expiry of lease terms	2,000	2,477	776	5,253
	-----	-----	-----	-----
	13,894	50,889	18,588	83,371
			83,371	53,015

Less: Financial charges:					
- Allocated to future period	1,097	25,987	5,800	32,884	11,465
- Accrued during the year	2,345	-	-	2,345	1,111
	-----	-----	-----	-----	-----
	3,442	25,987	5,800	35,229	12,576
	-----	-----	-----	-----	-----
Principal liability	10,452	24,902	12,788	48,142	40,439
Less: Current portion grouped under current liabilities					
- Installments due within following twelve months	4,675	-	-		4,675
- Instalments overdue	3,534	-	-		3,534
	-----	-----	-----	-----	-----
	2,243	24,902	12,788	39,933	25,930
	=====	=====	=====	=====	=====

No. of monthly instalments	60	102	72
Last instalments due	November 01, 1999	June 20, 2003	February 20, 2001
Discount factor applied RA.	20.25%	23.65%	22.28%
Residual value at the end of lease term	Rs. 2.000 million	Rs. 2.477 million	Rs. 0.776 million

5.1 The lease liabilities are secured against cross corporate guarantees by the Holding, Company (PEL) and personal guarantees of some of the directors

5.2 Repayment terms of lease finance facility available from Lease Pak Limited have been rescheduled during, the current year on the following, terms and conditions:-

- Amount rescheduled Rs. 19,634 thousands
- Deposit margin Rs. 2,476 thousands
- Repayment period 60 months
- Grace period 6 months
- Rent Rs. 140 thousands per month from January, 1999 to June, 1999.
 - Rs. 700 thousands per month from July, 1999 to June, 2000.
 - Rs. 1,100 thousands per month from July, 2000 to June, 2002.
 - Rs. 1,250 thousands per month from July, 2002 to May, 2003.
 - Last instalment of Rs. 1,500 thousands during, June, 2003.

5.3 Repayment terms of lease finance facility available from Pacific Leasing. Company Limited have also been rescheduled during, the current year on the following terms and conditions:

- Amount rescheduled Rs. 14,751 thousands
- Deposit margin Rs. 776 thousands
- Repayment period 32 months
- Grace period 3 months
- Rent Rs. 1.000 million during October, 1998.
 - Rs. 100 thousands per month during November and December, 1998,
 - RS. 251 thousands per month from January, 1999 to June, 1999~
 - Rs. 794 thousands per month from from July, 1999 to February, 2001.

6. SHORT TERM FINANCES

	Note	1998 (Rupees in thousands)	1997
Running finances-Secured	6.1	44,672	44,129
Demand finances / Overdue Acceptances	6.2	54,620	57,841
Temporary Overdraft			
- Unsecured	6.3	-	394
		-----	-----
		99,292	102,364
		=====	=====

6.1 Short term running finance facilities available from Commercial Banks under mark-up arrangements aggregate Rs. 44.700 million (1997: Rs. 44.700 million). These facilities carry mark-up at the rates ranging from Rs. 0.52 to Rs. 0.60 per Rs. 1,000 per day. These facilities are secured against hypothecation of stocks, personal guarantees of the directors, corporate guarantee by the Holding Company and par[passu charge on current and fixed assets of the Company.

6.2 These represent Payments Against Documents made by Muslim Commercial Bank Limited of Rs. 38.041 million and Askad Commercial Bank Limited of Rs. 16.579 million towards retirement of Import Bills. These are due for payment. The Management, however, is negotiating with the Banks to convert these Finances into Term Loans payable in quarterly installments commencing from January, 1999. The repayment terms, however, have not been finalised uptill the issuance of these accounts. These finances are secured against securities mentioned in note 6.1.

6.3 This arose due to issuance of cheques for amounts in excess of balance at a bank account.

7. CREDITORS, ACCRUALS AND OTHER LIABILITIES

	Note	1998 (Rupees in thousands)	1997
Due to Holding Company		7,550	2,567
Due to Associated Undertakings		3,404	3,551
Creditors		737	1,261
Advances from customers		4,135	3,281
Accrued expenses		1,553	2,142
Dealers' incentive schemes payable		671	2,625
Finances and other charges accrued on lease finances		2,614	1,111
Accrued mark-up on short term finances		17,954	8,982
Excise duty on short term finances		19	110
Sales tax payable	7.1	7,037	7,037
Due to employees	7.1	2,262	2,262
Due to employees		331	157
Income tax deducted at source		18	48
		-----	-----
		48,285	35,134
		=====	=====

7.1 These are secured against Indemnity Bonds as stated in note 8.2

8. CONTINGENCIES AND COMMITMENTS

8.1 No Indemnity Bonds were outstanding as at June 30, 1998. (1997: The Company issued Indemnity Bonds, other than those stated in note 8.2, for Rs. 18.612 million favouring the Collector of Customs, Central Excise and Sales tax, Peshawar).

8.2 The Company had not accepted Regulatory Duty and Sales Tax levies aggregating Rs. 2.262 million and Rs. 7.037 million respectively on imported raw materials and filed a Writ Petition with the Peshawar High Court against the said levies. The Court, by passing interim orders, stayed recovery of these levies and materials were allowed to be released on submission of Indemnity Bonds. The Assistant Collector Customs and Others have filed Petition for Leave to

Appeal alongwith Stay Application in the Supreme Court of Pakistan against the judgement/ order of the Peshawar High Court. The judgement has been reserved for announcement in the Supreme Court. However, aggregate provisions against these levies were made in the accounts (note 7).

8.3 No commitments were outstanding as at June 30, 1998 (1997: Nil).

8.4 The Company had filed a writ petition with the Lahore High Court against imposition of Central Excise Duty on Lease finances. The Court, by passing interim orders, stayed recovery of the said Duty till the final decision. Central Excise Duty on Lease finances aggregating Rs. 233 thousands has not been provided for in these accounts.

8.5 Refer contents of note 21.3.

9. OPERATING FIXED ASSETS

(Rupees in thousands)

PARTICULARS	COST				Rate %	DEPRECIATION				BOOK VALUE AS AT JUNE 30, 1998
	As at June 30, 1997	Additions	Leased assets transfers (Deletions)	As at June 30, 1998		To June 30, 1997	For the year	Leased assets transfers	To June 30, 1998	
OWNED:										
Land- Freehold	394	-	-	394						394
- Leasehold	1,391	-	-	1,391						1,391
Buildings	22,022	-	-	22,022	10	4,301	1,772	-	6,073	15,949
Plant and machinery	9,894	-	-	9,894	10	1,945	795	-	2,740	7,154
.Electric installations	5,517	-	-	5,517	10	1,084	443	-	1,527	3,990
Office equipment	838	-	-	838	10	162	68	-	230	608
Furniture and fixtures	931	116	(100)	947	10	181	77	-	258	689
Vehicle	338	-	1,552	1,890	20	125	237	575	937	953
	41,325	116	1,552 (100)	42,893		7,798	3,392	575	11,765	31,128
LEASED:										
Plant and machinery	60,290	-	-	60,290	10	11,862	4,843	-	16,705	43,585
Vehicles	1,552	-	(1,552)	-	20	575	-	(575)	-	-
	61,842	-	(1,552)	60,290		12,437	4,843	(575)	16,705	43,585
	103,167	116	- (100)	103,183		20,235	8,235	-	28,470	74,713
1997	103,165	2	-	103,167		11,054	9,181	-	20,235	82,932

9.1 Depreciation charge for the year has been allocated as under:

	Note	1998 (Rupees in thousands)	1997
Cost of sales	16	7,823	8,722
Administrative expenses	17	412	459
		8,235	9,181

Transfer of vehicles' ownership documents from Leasing Companies to the Company were in process at the year-end.

10. LONG TERM DEPOSITS AND DEFERRED COSTS

Security deposits		22	22
Deferred costs	10.1	433	1,216

 455 1,238
 =====

10.1 Deferred costs

	1998	1997
Note	(Rupees in thousands)	
Balance as at 30 June,	1,216	1,225
Add: Deferred during the year	-	774
	-----	-----
	1,216	1,999
Less: Amortised during the year	783	783
	-----	-----
	433	1,216
	=====	=====

11. STOCK-IN-TRADE

Raw materials		
- in hand	2,326	2,284
- in Bond (at Factory)	-	3,483
	-----	-----
	2,326	5,767
Work-in-process	398	340
Finished goods		
- in hand	12,849	21,290
- with PEL		
(the Holding Company)	11.1	2,270
	-----	-----
	15,119	31,524
	-----	-----
	17,843	37,631
	=====	=====

11.1 Physical existence of year-end stocks with PEL- the Holding2 Company - has been accepted by the Auditors on Management's certification.

12. TRADE DEBTS

- Unsecured - Considered Good

Trade debts balance as at 30 June	14,529	23,016
Less: General provision for doubtful debts	4,000	-
	-----	-----
	10,529	23,016
	=====	=====

13. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to employees		
- Considered good	38	436
Advance payments		
- Considered good	685	772
Security deposits	-	75
Margin deposits	1	121
Prepayments	107	85
Income tax deducted at source	4,996	4,970
Excise duty	5	5
Others	101	32
	-----	-----
	5,933	6,496
	=====	=====

14. CASH AND BANK BALANCES

1998 1997

	Note	(Rupees in thousands)	
Cash-in-hand		37	202
Bank balances	14.1		
- Current accounts		145	623
- Savings accounts		615	6,903
		-----	-----
		797	7,728
		=====	=====

14.1 These include foreign currency balances of U.S.\$ 8 thousands (1997: US.S.\$172 thousands) converted into Pak Rupees at the exchange rate ruling on the balance sheet date i.e. 1 U.S.\$ -- Rs. 46.0500 (1997:1 US.\$ - Rs. 40.2866).

15. SALES - net

Turnover		17,859	78,656
Less: Discount		952	1,004
		16,907	77,652

16. COST OF SALES

Raw materials consumed	16.1	3,529	52,551
Salaries, wages and benefits		2,494	3,027
Technical assistance fee		-	1,465
Technical director's expenses		-	1,436
Power and fuel		702	1,179
Travelling and conveyance		190	192
Repair and maintenance		31	49
Communication		219	539
Entertainment		70	123
Insurance		403	371
Vehicles' running		127	136
Printing and stationery		6	26
Excise duty		-	2,864
Depreciation		7,823	8,722
Others		238	135
		-----	-----
		15,832	72,815

Adjustment of work-in-process

Opening		340	10,067
Closing		(398)	(340)
		-----	-----
		(58)	9,727
		-----	-----

Cost of goods manufactured		15,774	82,542
Adjustment of finished goods			
Opening stock		31,524	32,436
Closing stock		(15,119)	(31,524)
		-----	-----
		16,405	912
		-----	-----
		32,179	83,454
		=====	=====

16.1 Raw materials consumed

Opening stock		5,767	19,644
Add: Purchases during the year			
- Imported		53	37,523
- Local		35	1,151
		-----	-----
		88	38,674

Less: Closing stock	2,326	5,767
	-----	-----
	3,529	52,551
	=====	=====

17. ADMINISTRATIVE AND SELLING EXPENSES

Administrative:

Salaries and benefits	5,391	5,512
Travelling and conveyance	477	541
Vehicles' running	544	598
Communication	344	630
Printing and stationery	195	128
Repair and maintenance	147	177
Utilities	17	169
Insurance	136	146
Rent, rates and taxes	9	25
Entertainment	168	261
Depreciation	412	459
Electricity	180	120
Others	19	52
	-----	-----
	8,039	8,818

Selling:

Sales promotion	94	880
Advertisement	311	1,432
Incentive schemes	159	3,256
Marketing expenses	2,320	-
Warranty claims / expenses	334	407
Customers' service department expenses	848	-
General provision against trade debts	4,000	4,000
Handling and forwarding	251	259
	-----	-----
	8,317	6,234
	-----	-----
	16,356	15,052
	=====	=====

18. OTHER INCOME

Exchange fluctuation gain	1,001	1,106
Return on bank deposits	336	672
Sale of scrap	1	1
	-----	-----
	1,338	1,779
	=====	=====

19. FINANCIAL CHARGES

Finance charges on lease finances	11,450	9,891
Mark-up on short term finances	22,486	18,590
Mark-up on Holding Company's advances	821	-
Excise duty on short term finances	21	914
Bank charges	96	257
	-----	-----
	34,874	29,652
	=====	=====

20. MISCELLANEOUS CHARGES

Auditors' remuneration:		
Audit fee	35	35
Out-of-pocket expenses	10	10
	-----	-----
	45	45
Marketing and sales commission	20.1	-
		6,589

Deferred costs amortised	783	783
Legal and professional charges (other than Auditors)	453	163
Loss on sale of fixed assets	22	-
Donations:		
- without directors' interest	2	1
	-----	-----
	1,305	7,581
	=====	=====

20.1 These represented costs incurred by PEL (the Holding Company) for marketing the Company's products, providing after sale services of the Company's products and other ancillary services for achieving the best possible results for the Company.

21. TAXATION

21.1 The Project is setup in Hattar Industrial Estate, District Haripur, N.W. RR and enjoys tax holiday for a period for eight years from the date of commencement of commercial production under clause 118-C of Second Schedule to the Income Tax Ordinance, 1979.

21.2 Provision for Minimum Tax leviable under Section 80-D of the Income Tax Ordinance, 1979, is not required in view of the decision of Supreme Court of Pakistan dated June 04, 1997.

21.3 Income tax assessments of the Company have been completed for the Income Years ended June 30, 1995 to June 30, 1997 (Assessment Years 1995-96 to 1997-98). The Assessing Officer while finalising the assessments for the said Assessments Years taxed interest income and exchange gain on the grounds that the said income was not incidental to manufacturing activities. The Assessing Officer raised tax demands aggregating Rs. 2.123 million for the said Assessment Years. Provision for the aforesaid demands has not been made in these accounts as the Company has filed appeals before the Commissioner of Income Tax (Appeals) against the assessments framed by the Assessing Officer. The appeals are pending for adjudication.

21.4 Provision for deferred tax is not required as there were no tax effects of timing differences as at June 30, 1998 (1997: Nil).

22. FIGURES

- in the accounts are rounded-off to the nearest thousand Rupees;
- of the previous year are re-arranged wherever necessary for the purpose of comparison.

M. AZAM SAIGOL
Director

M. NASEEM SAIGOL
Chairman/Chief Executive